

Message Text

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PAGE 01 STOCKH 00894 011548Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01 PA-02
PRS-01 /095 W

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R 011500Z MAR 77
FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 9916
INFO AMEMBASSY COPENHAGEN
AMEMBASSY HELSINKI
AMEMBASSY OSLO
USMISSION EC BRUSSELS
USMISSION OECD PARIS

UNCLAS STOCKHOLM 894

E.O. 11652: N/A
TAGS: EFIN, SW
SUBJECT: SWEDISH CENTRAL BANK CONTINUES TIGHT CREDIT POLICY

REF: 76 STOCKHOLM 5452

1. TERM OF FORMAL CEILING IMPOSED BY SWEDEN'S CENTRAL BANK ON
COMMERCIAL BANK LENDING (SEE REFTEL) WILL EXPIRE AT END OF MARCH.
SINCE CURRENT ECONOMIC SITUATION REQUIRES CONTINUED TIGHT HOLD ON
CREDIT MARKET, CENTRAL BANK DECIDED ON FEBRUARY 23 TO RECOMMEND
COMMERCIAL BANKS RESTRICT LENDING DURING PERIOD APRIL THROUGH
SEPTEMBER TO NO MORE THAN SIX PERCENT OF LEVEL PREVAILING AT END
OF MARCH.

2. CENTRAL BANK STRESSES THAT AVAILABLE LENDING CAPACITY MUST
SUPPLY NEEDS OF INDUSTRY FIRST AND THAT COMMERCIAL BANKS MUST BE
HIGHLY RESTRICTIVE ABOUT LENDING, DIRECTLY OR INDIRECTLY, FOR
CONSUMPTION. AIM OF MONETARY POLICY, IT IS CLEAR FROM CENTRAL
BANK STATEMENT, CONTINUES TO BE EXTERNAL STABILITY. BY
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FORCING FIRMS TO BORROW ABROAD, CONTINUING CURRENT ACCOUNT
DEFICIT ESTIMATED TO BE AT LEAST SKR 12 BILLION IN 1977 CAN BE
FINANCED, WHILE DOMESTIC PROGRAMS TO KEEP EMPLOYMENT HIGH CAN
BE CONTINUED.

3. CENTRAL BANK GOVERNOR CARL-HENRIK NORDLANDER CHARACTERIZED
MOVE AS BEING OF "TECHNICAL NATURE" AND "IN NO WAY A CHANGE IN

CREDIT POLICY." THIS INTERPRETATION SHAREDNUQIS-E DSNK
MANAGING DIRECTOR LARS-ERIK THUNHOLM. LATTER WAS ALSO HIGHLY
CRITICAL IN PRESS ARTICLE WHICH ASSERTED THAT CURRENT RECESSION
ACTUALLY CALLED FOR EASING OF CREDIT POLICY TO STIMULATE
INVESTMENT.
SMITH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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